

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2973

ANSWERED ON:07.12.2001

RATE OF INTEREST ON LOAN SANCTIONED BY NABARD

M.H. AMBAREESH;MARGARET ALVA;RAOSAHEB PATIL DANVE;VINAY KUMAR SORAKE

Will the Minister of FINANCE be pleased to state:

- (a) whether the NABARD has been increasing the rate of interest on the amount of loan sanctioned to the farmers;
- (b) if so, the rate of interest charge by the NABARD on the amount of loan sanctioned to the farmers during the last five years, year-wise;
- (c) whether many State Governments have represented the Union Government to reduce the rate of interest on the amount of loan sanctioned to the farmers;
- (d) if so, the details thereof, State-wise;
- (e) whether the Government propose to reduce the rate of interest on the loan sanctioned to farmers; and
- (f) if not, the reasons for the same?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE P ATIL)

(a) & (b): National Bank for Agriculture and Rural Development (NABARD) is an apex agency providing refinance facilities to banks on their lending to agriculture and allied activities. It does not provide loans to farmers directly. The decision to fix the rate of interest at farmers /beneficiaries level is left to the discretion of the financing banks as per the scheme of deregulation of interest rates introduced by Reserve Bank of India (RBI) in 1994. NABARD has reported that there is no proposal to increase the rate of interest or refinance in respect of term loan for agriculture, allied and non-farm sector activities. On the contrary, NABARD has reduced the interest rates with effect from 1 November, 2001 by 0.5% on refinance for loaning under rural housing, minor irrigation, waste land development and others by all agencies. Further, loans upto Rs.25,000/- extended by cooperative banks qualify for lower rate of interest at 7% p.a. on NABARD refinance. Moreover, the rates of interest for refinance on loans above Rs.2 lakhs have also been reduced from 10.5% to 10% for all agencies.

(c) & (d): NABARD has reported that earlier in the year 1999, in pursuant to the revision of rates of interest effected at that time, Chief Minister's of Andhra Pradesh and Madhya Pradesh had written to the Hon'ble Prime Minister, requesting for directing the RBI/ NABARD to withdraw the revision. NABARD had requested RBI to effect suitable reduction in the rates of interest on GLC limits to enable it to pass on the benefit to its constituents.. RBI had expressed its inability to accede to these requests for reduction on GLC limits. However, as stated above, the rates of interest have now been reduced with effect from 1 November, 2001.

(e) & (f): No such proposal is under consideration of the Government in view of what is stated above.